

State Employee Benefits Committee
Friday, January 25, 2013 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on January 25, 2013, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Vicki Ford, OMB, Financial Operations
Dawn Guyer, OMB, Financial Operations
Dawn Davis, OMB, SBO
Durae' Johann, OMB, SBO
Leslie Ramsey, OMB, SBO
Rebecca Reichardt, OMB, BDPA
Stuart Wohl, Segal
Howard Atkins, Segal
Andrew Kerber, DOJ
Karen Weldin Stewart, Insurance Commissioner
Chip Flowers, State Treasurer
Erika Benner, State Treasurer's Office
Carolyn Berger, Justice, AOC
Kim Vincent, Pension Office
Yvonne Marshall, OMB, PHRST
Pat Griffin, SEBAC Chair

Andrew Brancati, Highmark BCBS DE
Faith Joslyn, Highmark BCBS DE
Julie Caynor, Aetna
Judy Grant, HMS
Paula Roy, Roy Assoc.
Hollie Ford, City of Dover
Kim Hawkins, City of Dover
Corinne Mosher, City of Dover
Dave Leiter, DHSS
Julian Woodall, DHSS
Hugh Ferguson, DRSPA
Scott Ridge, RBS
Dristin Dwyer, DSEA
Cynthia Angermeier DSEA, R
Rich Phillips, DSEA, R
Jim Harrison, DSEA, R
Karol Powers-Case, DSEA, R

Introductions/Sign In

In Director Visalli's absence, Ms. Lakeman called the meeting to order at 2:00 p.m. Anyone who had public comments was invited to sign-in and any others wishing to comment would be given the opportunity. Introductions were given around the room.

Approval of Minutes

Ms. Lakeman requested a motion to approve the minutes from the November 16, 2012 SEBC meeting. Justice Berger made the motion and Treasurer Flowers seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

Ms. Lakeman reported that the Express Scripts Medicare Part D plan began on January 1, 2013. There are a total of 20,688 members approved and receiving benefits through the program. For the month of January there have been 51,075 paid claims. The implementation went very smoothly due to the hard work and efforts of the staff from Statewide Benefits and the Office of Pensions.

Ms. Lakeman reported that for FY2013, the Committee had voted to use the remaining \$2.9M of the Early Retiree Reinsurance Program (ERRP) funds to fill the shortfall. The Committee did not specify the manner in which the ERRP funds were to be expended. Statewide Benefits would like to expend those funds and draw them down in the month of February. This will eliminate the need to continue to comply with the ERRP federal notice requirement that new employees be made aware that the Group Health Insurance Program (GHIP) has received funding from the program. The Fund and Equity report in February will show that the ERRP funds have been exhausted. It was reported that in 2009 the American Recovery and Reinvestment Act increased the allowable deductions for mass transit and van pool expenses in the pre tax commuter program to the same level as the parking benefit. These levels continued in 2010 and 2011. In

2012, the allowable amount for mass transit and van pool expenses was reduced to \$120 per month with allowable parking expenses remaining at \$240 per month. The American Taxpayer Relief Act allows employers the option to retroactively increase the allowable pre tax expenses for mass transit and van pool to \$245 per month back to January of 2012; however, the State will increase the allowable pre tax amount for mass transit and van pool expenses to \$245 effective January 2013. Following an analysis of the impact to employees and an assessment of the administrative adjustments needed to properly address the retroactive option, the retroactive adjustment was not found to be feasible.

Health Fund Financials – Vickie Ford (handouts - 2)

A copy of the Fund and Equity Report was reviewed and discussed. The Fund and Equity report for December shows an increase from \$36.1M as reported for November 2012 to \$42.3M for December 2012. This increase in the ending balance is attributed to having received a Retiree Drug Subsidy payment and receipt of an Express Script prescription drug rebate payment.

FY13 Quarter 1 Financial Reporting – Howard Atkins (handout)

Charts and graphs showing the experience of each plan and all plans combined were explained. A deficit of \$2.5M in the medical plan experience was reported for the first quarter of the fiscal year. Prescription drug experience reflects a \$3.9M surplus. Highmark BCBS plans are experiencing less favorable claims experience than the Aetna plans. Treasurer Flowers asked if the Aetna plans were subsidizing the Highmark BCBS plans. It was confirmed that some level of subsidization was occurring even though most membership is in the Highmark BCBS plans. Treasurer Flowers asked that Statewide Benefits and Segal consider if the rates between the two carriers should be adjusted to correct any subsidization. Updated financial information will be provided at the February 22, 2013 meeting.

Group Health Program Eligibility & Enrollment Rules (Proposed changes effective March 1, 2013)

Ms. Rentz reviewed the Group Health Program Eligibility & Enrollment Rules summary document which was shared with everyone around the room. The Committee members also received the full set of rules with the proposed changes tracked. It was explained that the changes are a mix of clarifications to existing language, changes related to House Bill 81 and changes necessary with the implementation of the Medicare Part D prescription drug plan. The proposed changes will be attached to these minutes. Below is a list of the specific items which brought up further discussion.

Revision to Item 5.14a specifies that if the employee has paid State Share in order to ensure continuation of health care coverage and then later finds they were eligible for State Share, they must apply for the refund within one year of the date the employee first paid the State Share. Treasurer Flowers questioned the one year application period and will send suggested changes to Ms. Lakeman so that she can share with the Committee members prior to the next meeting.

In addition, Item 5.14b which pertains to the employee or pensioner who paid the employee share and then later is found to have been eligible for receipt of Double State Share is to be refunded the amount paid for a period not to exceed one calendar year. The employee must make application within one year of the date the employee first paid. Treasurer Flowers will send suggested changes to Ms. Lakeman prior to next meeting.

Additional language to Item 5.14c provides clarification of when an employee or pensioner made payment for an ineligible dependent, application for refund must be made within 60 days of the date payment was made and the refunded amount shall be no more than an amount paid for a 60 day period. Treasurer Flowers asked why the refund was only permitted up to 60 days. Ms. Lakeman explained that the State can apply for refunds from the carriers for a period not to exceed 60 days. Claims incurred and paid more than 60 days in the past cannot be reversed; therefore, there may be instances where claims paid by the Group Health Insurance fund on behalf of an ineligible dependent would have to be repaid by the employee or pensioner.

Item 5.21 contains new language to provide the State, in accordance with 10 Del C 8106(a), to collect funds for health care premiums or claims from an employee or pensioner for up to three years when it is determined that such funds should have been paid by the employee or pensioner and not the State. There was discussion regarding the one year refund to the employee or pensioner versus the three year repayment to the State. Treasurer Flowers expressed concern over clarifying the allowable repayment period. Ms. Lakeman commented that Statewide Benefits often allows a longer repayment period to avoid imposing a hardship on the employee.

Item 5.22 is new language to allow the State to collect funds paid for State Share by the employee's employing organization when an employee on FMLA has exhausted the FMLA leave entitlement and has chosen not to return to work although capable in accordance with FMLA regulations. Justice Berger was concerned with an agency not offering the same position and then asking the employee for repayment of State Share. Ms. Lakeman explained that job security is covered and addressed in the FMLA rules, which is listed on the Human Resources Management website.

These items will not require a vote until the February 8, 2013 SEBC meeting to allow the members time to review the proposed changes.

Disability Insurance Program Rules & Regulations (Proposed changes effective March 1, 2013)

Ms. Lakeman reviewed the summary of proposed changes to the Disability Insurance Program (DIP) Rules and Regulations which are attached. It was explained that hazardous duty employees injured in the line of duty are entitled to a 12 month salary supplement which runs concurrently with short term disability (STD), long term disability (LTD) and/or worker's compensation. The proposed rule changes expand on the responsibility of hazardous duty employees to file an STD claim in a timely manner and for their employing agencies to provide the appropriate monthly hazardous duty amount to the DIP insurance carrier.

The DIP rules were written to apply specifically to Merit Employees. An additional section is being proposed in Section 9.0 (Leaves) to provide guidance on this topic to non-merit agencies and employees.

A new rule was added to clarify the relationship between the SEBC and the Statewide Benefits Office and to define the authority of the Return to Work (RTW) Coordinator when a RTW release has been provided by the individual's health care provider.

There were no questions or comments from the SEBC members related to the proposed changes to the DIP Rules and Regulations.

FY14 Group Health Insurance Program Planning (handout)

Ms. Lakeman announced that the Governor's recommended budget includes \$15.4M in General Funds to be used to fund the FY 2014 projected State Share increase in the Group Health Insurance plan premiums.

Ms. Rentz reviewed the slide presentation and explained that in order to plan for future medical expenses Segal looks at claims and expenses from past quarters. The experience of the last ten quarters has not been consistent. The FY 2014 premium revenue without the Governor's budget contribution and a premium rate increase would be approximately \$572.1M. The FY 2014 projected expenditures based on experience through September 30, 2012 are \$644.6M. This leaves a shortfall of \$72.5M. With the Governor's general fund contribution and change in the premium rates to account for the additional state share contribution, the premium revenue will increase to \$608.6M leaving a deficit of \$36.0M. Fees associated with Affordable Care Act mandates in the amount of \$3.2M are included in the projected FY14 expenses. Adjusting rates to account for the additional state share contribution will increase employee/pensioner contributions from

\$1.32 to \$12.89 per month. Updated figures based on experience through the end of 2012 will be shared at the February 22, 2013 meeting.

SEBAC Comment

The SEBAC supports the adoption of the Group Health Insurance Program and DIP rules as they are proposed. It was noted that while in accordance with Delaware Code, there is a discrepancy between the refund and collection period for State Share in Sections 5.14 and 5.21 of the Group Health Insurance Program rules.

Public Comment

Karol Powers-Case, DSEA Retiree, asked if Medicare eligible pensioners will be allowed to join DelaWELL in the future. Ms. Lakeman stated that the services and costs would be evaluated as part of the upcoming contract renewal. In addition, Statewide Benefits is exploring the possibility of extending Weight Watcher discounts to the Medicare pensioner population.

Dave Leiter, DHSS, commented on the three years collection and one year refund rules. Also, Mr. Leiter wanted to ensure that those that became disabled or moved to retirement were provided the opportunity to enroll in medical benefits. Ms. Lakeman explained that enrollment was automatic each year if the employee failed to re-enroll their existing benefits would carry forward to the next year. In the case of initial enrollment as a pensioner, Ms. Lakeman, confirmed that the Pension Office has a process in place to make sure that the new pensioners have medical coverage.

There was further discussion about the three year collection versus the one year refund rule. Mr. Kerber confirmed that he has reviewed the language in the Delaware code. Ms. Lakeman commented that employees are given several reminders during the year to review their benefit elections and coverage for dependents. Additionally, employees should review their paycheck deductions for benefit enrollment on a regular basis. Ms. Lakeman concluded that Statewide Benefits will continue to discuss these concerns with legal counsel and SEBC members.

Other Business

None.

Ms. Lakeman reminded all that the next SEBC meeting date is scheduled for Friday, February 8, 2013. Ms. Lakeman asked that any suggested changes be sent to her so that they may be incorporated into the proposed changes and adopted at the next meeting. Justice Berger asked what the next meeting would entail. Ms. Lakeman commented that plan design cost saving options would be presented and if later approved, would help with the \$36M deficit. The February 22, 2013 meeting will include updated financial projections based on experience through calendar year 2012. A motion to adjourn was requested. Ms. Benner made the motion and Insurance Commissioner Weldin Stewart seconded the motion. The meeting was adjourned at 3:09 p.m.

Respectfully submitted,

Dawn Davis
Administrative Secretary
Statewide Benefits Office, OMB